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BRIEFING

Proposed Overhaul of Third-Party Risk Management Guidance: U.S. Agencies Propose a More Flexible, Risk-Based Replacement to the 2023 Interagency Guidance

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On September 11, 2026, the U.S. agencies[1] jointly proposed new third-party risk management guidance (the "**Proposed Guidance**") that would replace and supersede the 2023 Interagency Guidance on Third-Party Relationships (the "**2023 Guidance**") and its related supplemental resources. The 2023 Guidance remains in effect until final guidance is adopted, but we anticipate the substance of the Proposed Guidance will be finalized largely as proposed. Comments are due by November 16, 2026. It is not known precisely when the Proposed Guidance will be finalized and put into effect, but we expect that will not occur until next year.

Background

The 2023 Guidance was intended to be principles-based. However, the agencies observed that banking organizations and examiners have often applied them in an overly prescriptive manner, given the granularity of the agencies' recommendations and the extremely broad scope of relationships covered.

The Proposed Guidance represents a significant shift away from the procedural, "life-cycle"-based framework towards a more flexible and risk-based supervisory approach. The Proposed Guidance also offers more deference to a banking organization's own risk management controls and decisions, and eliminates many of the detailed examples and specific considerations from the 2023 Guidance.

1 Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (Federal Reserve), Federal Deposit Insurance Corporation (FDIC), and National Credit Union Administration (NCUA).

Key Takeaways

1. Greater Emphasis on Tailoring
2. Risk-Based, Not Activity-Based, Tiering
3. Clarified and Narrower Scope of "Third-Party Relationship"
4. Greater Deference to Banking Organizations
5. Opportunity to Right-Size Programs
6. Proposed Guidance Likely Finalized in 2027

Our key takeaways on the Proposed Guidance are summarized below.

1. Greater Emphasis on Tailoring

The Proposed Guidance reinforces the principle that third-party risk management should be commensurate with the nature of a banking organization's third-party relationships and its size, complexity and risk profile. While this had always been the intent of the 2023 Guidance, the Proposed Guidance removes many of the granular recommendations and detailed examples that had characterized the 2023 Guidance, including extensive lists of due diligence and contract-negotiation considerations.

More broadly, the agencies acknowledged that many banking organizations and examiners had interpreted recommendations as to what an institution "should" do as mandatory requirements, a result the Proposed Guidance seeks to avoid.

2. Risk-Based, Not Activity-Based, Tiering

Consistent with broader changes in the supervisory framework, the Proposed Guidance shifts the focus away from categorizing relationships based on the nature of the activities involved and towards actual, material financial risks. Although certain relationships, such as those involving core processing providers, may often present elevated risk, the Proposed Guidance emphasizes that risk assessments should be based on the banking organization's reliance on the service and the potential impact of disruption, rather than the category of provider or activity involved. Further, the same third-party relationship may present different risks for different banking organizations based on the relevant facts and circumstances.

The Proposed Guidance also reframes the third-party relationship "life cycle" framework in the 2023 Guidance as simply one aspect of a banking organization's broader risk oversight responsibilities, which include risk identification, risk assessment, risk oversight, governance, and residual risk management.

3. Clarified and Narrower Scope of "Third-Party Relationship"

Unlike the 2023 Guidance, the Proposed Guidance expressly defines a third-party relationship as a business arrangement involving products, services, or activities that support the banking organization. The agencies suggest that a business arrangement without a written contract or clear consideration in support of an underlying activity is unlikely to constitute a third-party relationship.

By providing a clearer and narrower definition, the Proposed Guidance focuses the framework on relationships that support the banking organization and present meaningful operational, compliance, or financial risk. It is unclear at this stage, however, how the Proposed Guidance will treat business arrangements in which the third party may be both a provider and recipient of services from the banking organization, as is the case with some fintech relationships (e.g., sponsor banking arrangements).

4. Greater Deference to Banking Organizations

A central theme of the proposal is that effective third-party risk management requires appropriate management of risk, not ***elimination*** of risk. The Proposed Guidance expressly recognizes that banking organizations may accept residual risk, provided such decisions are consistent with their risk appetite and governance processes. It also acknowledges that institutions cannot identify every possible risk associated with every third-party relationship and instead should maintain programs reasonably designed to identify and manage the most significant risks.

More broadly, the agencies indicate that supervisory attention should focus on material risks and legal or regulatory compliance concerns, while giving due consideration to a banking organization's reasonable and documented risk management decisions.

5. Opportunity to Right-Size Programs

Banking organizations that expanded their third-party risk management programs in response to the 2023 Guidance may now have a basis to streamline those programs, particularly for lower-risk relationships. However, the practical benefit may be more limited for foreign banking organizations and multinational groups because other frameworks outside of the United States, including those implementing the Basel principles for sound management of third-party risk, remain considerably prescriptive.

Action Items and Next Steps

Banking organizations should:

- Review existing third-party risk management programs to identify areas where current practices exceed what a risk-based approach would require.
- Reassess risk-tiering methodologies to ensure they reflect actual reliance, materiality, and potential impact rather than the category of third party involved.
- Establish or refine residual risk acceptance processes, including documentation and approval requirements.
- Evaluate whether global third-party risk policies appropriately account for more prescriptive non-U.S. requirements and the extent to which flexibility introduced by the Proposed Guidance can be incorporated into existing frameworks.

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